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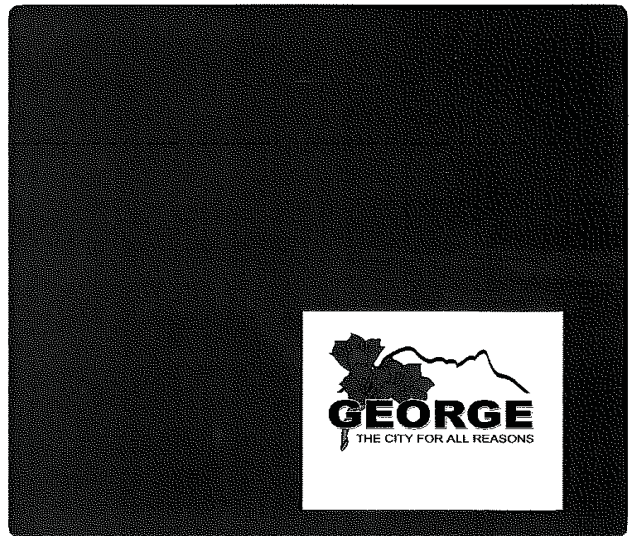
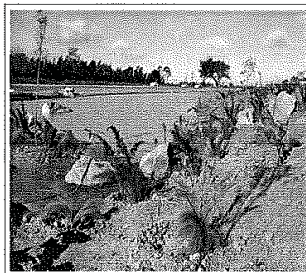
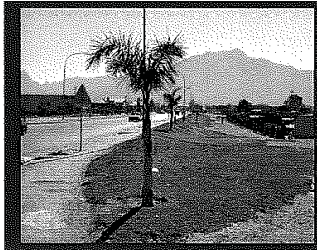
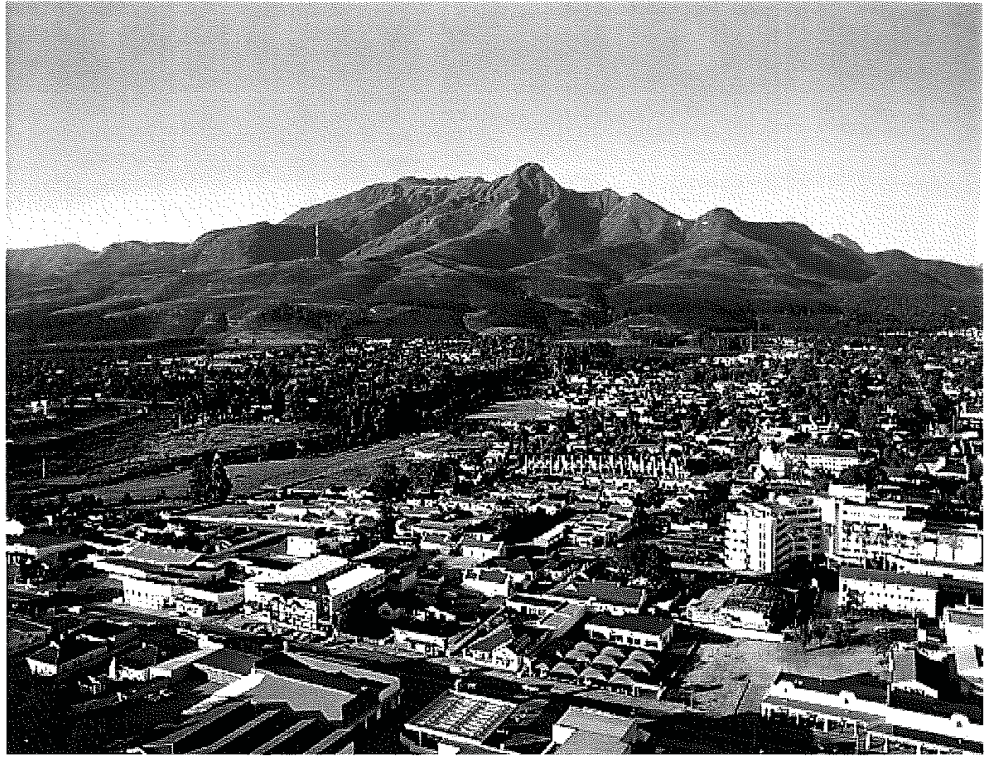
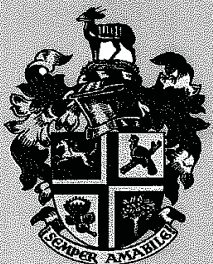


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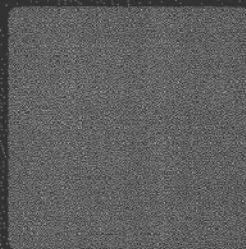
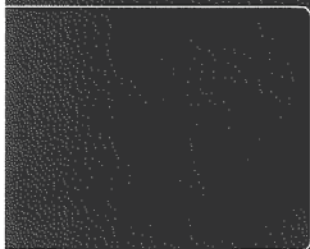
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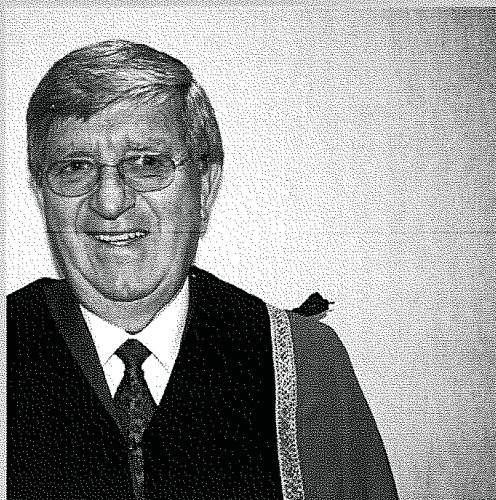
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1.]] inleiding en oorsig introduction and overview



1.1]]

foreword by the
executive mayor,
alderman philippus h
de swardt
voorwoord deur
die uitvoerende
burgemeester,
raadsheer philippus h
de swardt



It is indeed a pleasure to be able to reflect on the past year's achievements and objectives that we have attained. Naturally we were also compelled to engage numerous challenges during this period, but steadfastly and successfully resolved most issues. In every decision taken the best interest of the people were always paramount, especially the plight of the poor.

Nobody is perfect. In the execution of our tasks at hand as well as in the process of service delivery, mistakes were occasionally been made either by Councillors or officials, but I am nonetheless convinced that the community of George can be satisfied with the general management of the city of George. The Councillors continuously, diligently and urgently address all community requirements, requests and needs, despite financial restrictions. The community of George can also be very proud of the competent, dedicated and loyal municipal officials employed by the George Municipality.

Some of the major challenges that had to be addressed during the past year included the shortage of housing, unemployment, poverty, personnel vacancies, insecure neighbourhoods as well as social problems arising and resulting from the numerous informal settlements.

A serious problem and concern is the rapid influx of people to George, which places a heavy burden on the municipality, to timely provide adequate infrastructure on a sustainable basis.

We are very proud of some excellent achievements attained during the period under review, namely:

- Circles at the Provincial Hospital, Crocodile farm and Hawthorndene Hotel towards Blanco (now under construction)
- Extension of Hope Street
- Subway at Union Street
- Upgrading and embellishment of Sandkraal Road (R2 million)
- Upgrading of Beach Road in Pacaltsdorp and embellishment of Pacaltsdorp business hub (R3 million)
- Connecting bridge between Urbanville and Protea Park
- Junction road between Blanco and York Streets
- Erection of creches in Blanco, New Dawn Park and Lawaaiikamp.
- Blue Drop Award for the best drinking water of all 283 Municipalities in South Africa.
- Green Drop Award for sewage water quality
- Kudu Award 2009 for contribution to conservation of the Touw River Pipeline Project.

Dit is weer eens vir my aangenaam om terug te kyk na 'n baie suksesvolle jaar waarin daar vele prestasies behaal en doelwitte bereik is. Baie uitdagings moes egter ook die hoof gebied word. In alle besluite het die belange van die gemeenskap, en veral die minderbevoorregtes, altyd swaar gewee.

Niemand is volmaak nie en in die uitvoering van ons taak en in die proses van dienslewering word soms foute deur raadslede, sowel as amptenare gemaak, maar in die algemeen is ek oortuig dat George se gemeenskap tevrede kan wees met die wyse waarop George bestuur word. Die raadslede poog, om ten spyte van finansiële beperkinge, die gemeenskap se probleme, behoeftes en versoeke aan te spreek. George kan ook trots wees op die pligsgetrouheid en loyaliteit van sy munisipale amptenare.

Die grootste uitdagings wat die afgelope jaar hanteer moes word, behels onder andere die tekort aan behuising, werkloosheid, armoede, personeelvakatures, onveilige woonbuurte en probleme wat ontstaan as gevolg van die baie informele nedersettings in George.

'n Verdere bekommernis is die snelle bevolkingsgroei as gevolg van immigrasie wat 'n geweldige druk op die verskaffing van die nodige infrastruktuur plaas.

Ons is ook trots op die baie mooi prestasies wat vanjaar behaal is. Ek noem enkele:

- Sirkels by die Provinsiale Hospitaal, Krokodilplaas en Hawthorndene Hotel na Blanco (tans in aanbou)
- Verlenging van Hoopstraat
- Duikweg by Uniestraat
- Opgradering en verfraaiing van Sandkraalweg (R2 miljoen)
- Opgradering van Beachweg in Pacaltsdorp en verfraaiing van Pacaltsdorp sakekern (R3 miljoen)
- Verbindingsbrug tussen Urbanville en Proteapark
- Verbindingspad tussen Blanco en Yorkstraat
- Die oprigting van creches in Blanco, New Dawn Park en Lawaaiikamp.
- Blue Drop toekenning vir die beste drinkwater van al 283 Munisipaliteite in Suid-Afrika.
- Green Drop toekenning vir die rioolwaterkwaliteit
- Kudu Toekenning 2009 vir bydrae tot bewaring vir die Touwrievier Pyplyn Projek.

I wish to exalt and give praise to our Lord Almighty for his mercy, grace and spiritual guidance, without which we as humans are not capable of anything. We can only exalt in the Lord our God. I wish to express my thanks and gratitude to the National and Provincial Government of the Western Cape as well as the Eden District Municipality for its cooperation and support during the past year.

I furthermore wish to thank the Councillors and officials for their contributions, dedication and sacrifices made. I wish to thank each individual and every organization who unselfishly served their fellowmen and who constructively contributed to build and turn George into a better place for all. I also wish to express my gratitude to all those who cooperate and endeavour to build and maintain good human relations amongst all the citizens of George. To execute the ordinary in an extraordinary, exemplary and excellent manner, should always be our goal.

By achieving this, we shall not only set an example in the Western Cape, but also be an inspiration for the whole of South Africa – a true source of light during these very uncertain times!

ALDERMAN PHILLIPUS H DE SWARDT
EXECUTIVE MAYOR

Ek wil ons Hemelse Vader dank vir Sy hulp en leiding omdat ons uit ons eie krag tot niks in staat is en op niks kan roem nie. Ek wil graag my waardering teenoor die Wes-Kaapse Provinsiale Administrasie en die Eden Distriksmunisipaliteit uitspreek vir hul samewerking van die afgelope jaar.

Verder wil ek ook alle raadslede en amptenare vir hul toegewyde werk en opofferinge bedank. My diepe dank en waardering aan elke inwoner en organisasie wat op 'n onbaatsugtige wyse sy medemens gedien en gehelp het om George verder uit te brei. Dankie ook aan almal wie meehelp om beter verhoudinge tussen al George se inwoners te bewerkstellig.

Om die gewone dinge op 'n buitengewone wyse te verrig, moet altyd ons doelwit wees. Sodoende sal George nie net as voorbeeld en inspirasie vir die Wes-Kaap dien nie, maar vir die hele Suid-Afrika – 'n ware bron van lig in hierdie onsekere tye!

RAADSHEER PHILLIPUS H DE SWARDT
UITVOERENDE BURGEMEESTER

1.2]]

oorsig van munisipale bestuurder municipal manager's overview



INTRODUCTION

We are once again at the point in the history of the City of George where we are able to pause, look back at the past financial year, and to take stock of that which we have achieved in terms of the IDP, the issues we could not attend to for reasons beyond our control and resources to achieve as well as those issues/needs we excluded from our plan, perhaps in hindsight.

There were also matters to which we turned a blind eye to and paid the price afterwards. This does not necessarily point to poor planning or management. It might have been a case of priorities of choice and perhaps not of need. In all this, we must face the reality, namely that the face of Local Government is forever changing and with it certain processes suffer. George has not been excluded.

In Local Government there seems to be a general trend towards hoping that, avoiding the realities of events, possibilities will make such events disappear on their own. There may be many reasons why we do not want to face reality. Until robots take over the world, most, if not all of tasks in this organisation will depend on skills, abilities and knowledge of the staff who work here. Fortunately, or unfortunately, members of our staff are emotional beings, and often react to their emotions, thereby making futile mistakes or misjudgements.

LEADERSHIP SITUATION

Leadership, therefore, has a pivotal role to play in this organisation.

It was for this reason that I recently addressed the full management team and used the analogy of a rugby team and a rugby field.

The fifteen players;

- (1) respect the game,
- (2) respect one another,
- (3) follow the rules,
- (4) do not change the rules during a match,
- (5) be in solidarity with fellow players,
- (6) honour the referee's decision,
- (7) be a team player,
- (8) communicate with one another,
- (9) listen effectively to one another.

In our endeavours the past year (2008/2009) we have learnt to:

- (1) Empathise;

There must be emotional connection amongst the team. By being visible and available, especially during crises, the leader helps to quell pain, uncertainty and fears. When members of staff are confused or scared, they usually crave for quick decisions from someone in charge.

This is where the team has reached out to fellow employees, holding their hands up high, listening to them. This has been essentially evident in determining what impacts a crisis would have on their respective lives. The team could show compassion in a situation like this.

- (2) Do what you say.

Mahatma Ghandi said; "Be the change you want to see in the world"

As a management team we strive to walk the talk or else people will not follow.

The power of an organisation's leaders in creating its values, environment, culture and actions, is unmeasureable!

Leaders must therefore model the behaviour they want to see from others.

Your fellow employees (Councillors) will trust your leadership because you understand what they experience.

We need to build commitment into the organisation.

- (3) Excellent communication

Communicate as effectively as possible or else staff will do their own thing in a crisis often creating more chaos and confusion.

- (3) We needed a paradigm shift as could be seen in recent times, a leader may need to change a situation completely instead of doing things at a slower pace or incorrectly change the paradigm in order to yield better results.

Surround yourself with people who are willing to help you achieve this, people who have the confidence to tell the truth and help the organisation flourish!

Perhaps we need to choose a road less travelled or never travelled before. Are we not too close to the trees to see the wood?

An empathetic, enlightened heart and mind may help us see a perspective to which we were blind to before. This is where the input from our communities were so crucial in the year under review. We need to make more impactful and qualified choices.

The moment we are on the field our strategies and plans will be mercilessly and endlessly tested. An uncalculated moment when you're unfocussed, may ruin the match. Remain with the predeterminers. Short term plan - Don't change the rules during a strategy.

John Maxwell says: "If you fail to plan, you plan to fail".

With the players in place, we were able to focus on our core business, during the year under review. Our key focus has been (and will be) to achieve top class service delivery in all aspects of our business.

SERVICE DELIVERY

Former President Thabo Mbeki stated: "Since 1994, dramatic progress has been made with basic services, but a special effort was needed to increase the capacity of service delivery at municipal level".

We at the George Municipality have a "continuing focus on improving the capacity" of our administration. We are, after all, at the coal face of service delivery.

Our IDP is our most valid planning tool for purposes of local development.

On the financial side, National Treasury, especially after the Auditor General has identified several weaknesses in terms of the Municipal Finance Management Act (MFMA 56 of 2003) is playing a key role in building skills capacity with a number of training schemes in place, particularly around municipal finance, to build up a skills base at a level of senior municipal staff. Further to this is the provision of a FMG grant.

We are still faced with a number of vacancies at senior management level and posts requiring professional expertise and qualifications. This grant has been used to fill critical vacancies in the Finance Dept.

More broadly, Councillors have received training on an ongoing basis that will assist them in their legal obligations and improve capacity through a greater understanding of our IDP. Skills empowerment to handle administrative demands of service delivery and social complexities within our municipality, is key if Councillors are to remain true ambassadors for their own communities.

Deputy Minister of Local Government Nomalayla Hanga says: "The lack of skills empowerment, coupled with gender discrimination and communities where citizens are excluded from co-ownership of local development processes, should be blamed for poor service delivery...."

George Municipality is all about making the Council more accountable, financially sustainable and able to deliver critical services to its communities. In my view we can boast that we have involved (and continue to do so) all sectors in our IDP planning processes.

About LED, Deputy Minister Hanga says: "A sensible understanding of local economic development is that it is the outcome of effective and efficient municipal government and a manifestation of overall macro - economic performance.

Well governed municipalities that can provide reliable and affordable services to businesses and communities are an incentive for enterprise development and residential settlement."

The George Municipality can pride itself for the year under review, for its commitment and dedication to effective and efficient service delivery as depicted in the sectoral reports for each Directorate.

POVERTY ALLEVIATION OR ECONOMIC GROWTH

There are debates about how best to promote economics while at the same time fighting poverty, a challenge South Africa is grappling with.

As for George, a fine balance is struck between the two. The challenge for us is:- What is the real or perceived conflict between a focus on poverty alleviation within poor communities and a focus on the competitive advantage of a local economy, as a whole. While George is doing fine on both fields the gap between the rich and the poor remains unabated.

However we firmly believe that the most important strategy to reduce poverty is economic growth. The respective directorates will elaborate more on the initiatives undertaken and successes achieved.

In the opening statement, much focus was placed on leadership –
To recap:

- Everything rises and falls on leadership.
- It controls and shapes destinies.
- It can build or it can destroy.
- It sparks the energy and enthusiasm for change.
- It drives passion.
- It ignites emotions.
- It brings about a common purpose, shares values, aligns and synergises.

Leadership at the George Municipality is (and was) without doubt, the most critical success factor that will determine the future destination of GEORGE, the city for all reasons. It, therefore, stands to reason that effective leadership represents the most powerful competitive advantage George could ever hope for. We at George, have an obsession with the development of human capital. We see our staff as a solid investment and not as a risk or just another expense.

To lead is to serve!

ZERO TOLERANCE

The converse has also been true. Fraud and corruption have received and will continue to receive ZERO Tolerance. Any public servant who oversteps will be severely dealt with. Offenders during the year under review, have been severely dealt with. The town of George boasts with a toll free anti Corruption Hotline – the first in the province!

THE BUDGET

The budget choices for the year under review indicated that George Municipality has been responsive to the social and economic conditions and realism facing our communities, but was at the same time based on a sound and sustainable financial framework.

The average tariff increase on all services was accepted on the premise that the most equitable and acceptable funding model is secured to fund the services, priorities etc.

Every effort was made to create a pro poor budget that is responsive to the needs of the community.

The effective utilisation of the budget was only possible through the partnership with our communities, the co-operation of suppliers, National and Provincial Government, Councillors and staff.

CLIMATE CHANGE

- This phenomenon increasingly demands managements attention. This is essentially the case with increased risk assessments and management associated with climate change. We have been forced to assess and re-assess our exposure to the physical impact of climate change.
Do we really perceive that risks to climate change are negligible?
- We are still suffering from the effects of serious flooding in 2006, 2007 and 2008. How prepared are we?
As municipal officers and politicians we are usually the first to deal with disasters, which means we must be prepared at all times.

CONCLUSION

Several awards and achievements can be boasted about. Again this will be highlighted separately.

The staff compliment (974 (full time) and 143 (temporary) have done extremely well under extremely trying conditions with extremely limited funds, an extremely limited workforce and a work environment that is not always that conducive.

It is my prayer that God will enable us to go from strength to strength in our quest to offer top class service delivery to all our communities without prejudice or favour and that way we will make a difference to the lives of almost 180 000 people in George.

LEGAL IMPERATIVE

In terms of Legal Frameworks, the Municipality must, for each financial year, prepare an annual report in accordance with Section 46 of the Systems Act of 2000 and Chapter 12 of the Municipal Finance Act no. 56 of 2003.

This report was compiled in relation thereto:

- A record of activities during the financial year
- Record of performance against the budget of the Municipality
- Provide accountability to the local communities for decisions made throughout the year
- Annual financial statement for the year
- Auditor General's annual report in terms of Section 126 (3) of the Municipal Finance Act and Section 45 (b) of the Municipal Systems Act
- And Section 3 (a-k)

In terms of Section 72 of the Municipal Finance Management Act, 2003 Act 56 of 2003, the Accounting officer must:

Assess the performance of the Municipality during the first half of the financial year, taking into account the following:

- The monthly statements, detailing the expenditure on capital projects, income and expenditure
- The municipality's service delivery performance during the first half of the year and service delivery targets and performance indicators set in the service delivery budget implementation
- The past year's annual report and progress on resolving problems identified in the annual report

I wish to thank all staff and political office bearers for helping to make George a better place for all through the loyalty, cooperation and hard work I enjoy from them.

CECIL MARK AFRICA
MUNICIPAL MANAGER

1.3]] introduction and overview of the municipality



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1.3 OVERVIEW OF THE MUNICIPALITY

Introduction and overview of the of the George Municipality

To have a clear understanding of what the role and function of George Municipality towards its communities are, one should first unwrap the concept of Local Government.

1.3.1 LOCAL GOVERNMENT IN SOUTH AFRICA

It has been argued that Local Government in South Africa has made a significant contribution to the achievement of a number of significant social and economic development advances, since the emergence of new democratic municipal dispensation on 5 December 2000. This resulted therein that most of our communities have increased access to a wide range of basic services coupled with increased opportunities that have been created for their participation in the economy.

However, notwithstanding the valuable role that municipalities have played in this new democracy, reports have shown that there remains some key elements of the Local Government Systems that are showing signs of distress of which service delivery heads the top of the list.

Whilst progress has been made in significant ways, it is still clear that a number of stubborn service delivery and governance problems have been identified in municipalities over a number of years. These remain consistently at the forefront of government's developmental challenges. These priority areas include:

- Huge service delivery and backlog challenges, e.g. housing, water and sanitation;
- Poor communication and accountability relationships with communities;
- Problems with the political administrative interface;
- Corruption and fraud;
- Poor financial management, ie. negative audit opinions;
- Number of (violent) service delivery protests;
- Weak civil society formations;
- Intra – and inter-political party issues negatively affecting governance and delivery; and
- Insufficient municipal capacity due to lack of scarce skills.

From evidence in research undertaken to date, it is clear that much of local government is indeed in distress, and that this state of affairs have become deeply-rooted within our system of governance. Therefore underpinning the analysis are some key questions, such as how deep-rooted is the state of distress in our local municipalities, what are the causes, and through what measures do we address these fault-lines in our governance arrangements?

GOVERNANCE

South Africa has 283 municipalities, based on three Constitutional categories:

- Metropolitan municipalities: six (6)
- District Municipalities: forty six (46); and
- Local Municipalities: two hundred and thirty one (231).

Chapter 7 of the constitution, the White Paper on Local Government and the legislature framework for Local Government collectively provides municipalities with a structure to manage their administration. It also outlines political decision making system, and defines principles for the structuring of their administration.

The current policy and legislative requirements affecting local governance are primarily contained in the Constitution, the Local Government White Paper, the Local Government Municipal Demarcation Act, the Local government Municipal Structures Act, the Local Government Municipal Systems Act, the Disaster Management Act, the Local Government Municipal Finance Management Act and the Local Government Municipal Property Rates Act. The amounts for Intergovernmental fiscal transfers are published yearly in the Division of Revenue Act.

The organisational structuring of local government is explicitly prescribed in the Municipal Systems Act and specifically in Section 51 which provides that "A municipality must, within its administrative and financial capacity, establish and organise its administration.

However, the effective functioning of a municipality begins with its political leadership which mostly centred on their effectiveness, capability and the integrity of the Local Political Council Leadership.

It has been found that the common causes for distress in municipal councils point to:

- (a) tension between the political and administrative interface;
- (b) poor ability of many councillors to deal with the demands of local government;
- (c) insufficient separation of powers between political parties and municipal councils;
- (d) lack of clear separation between the legislative and executive;
- (e) inadequate accountability measures and support systems and resources for local democracy; and
- (f) poor compliance with the legislative and regulatory frameworks for municipalities.

Recently it also emerged that party political factionalism and polarization of interests over the last few years, and the subsequent creation of new political alliances and elites, have indeed contributed to the progressive deterioration of municipal functionality. Evidence exist how the political / administrative interface has resulted in factionalism on a scale that, in some areas, it is akin to a battle over access to state resources rather than any ideological or policy differences. The lack of values, principles or ethics in these cases indicates that there are officials and public representatives for whom public service is not a concern, but accruing wealth at the expense of poor communities is their priority.

Relationships at the local level are tainted by these contestations amongst the elites of local areas. The democratisation of the local sphere so well-envisioned in the White Paper on Local Government, of 1998, is now fraught with community frustration over poor institutionalisation of systems, poor service delivery and poor political governance. A culture of patronage and nepotism is now widespread in many municipalities that the formal municipal accountability system is ineffective and inaccessible to many citizens.

In a report by Mr. Piet Coetzer that appeared in the Service Leadership in Local Government bulletin, it was established that almost a third of the Municipal Managers at the District and local municipalities have less than five years experience at local government level. It was also established that about a third of all municipal managers have qualifications of only matric plus a diploma or less. notwithstanding the above it was found that about 30% of financial heads at municipalities had at least five or less years experience in local government with only 19% having five and ten years experience. These are all issues of concern as the understanding of local government is crucial when it comes to service delivery.

Other social institutions including the media and civil society have also been ineffective in increasing municipal accountability and oversight. There is now a lack of citizen confidence and trust in the system. This has been publicly evidenced in the spate of community protests during the course of the year, which may be seen as a symptom of the alienation of citizens from local government.

Moreover, councillors have been accused of being arrogant and insensitive to the needs of the community. Lack of effective complaints management and no coherent systems in place to measure service delivery or the quality of client interface are some of the political reasons underlying protest action.

OVERSIGHT OF LOCAL GOVERNMENT

Section 154 (1) of the Constitution requires both the National and the Provincial Governments by legislation or other means to support and strengthen the capacity of municipalities to manage their own affairs, to exercise their powers and to perform their functions. Failure in this regard may result in the invocation by the national sphere of government to the provincial sphere of section 100 of the Constitution.

Provincial supervision, monitoring and support of local government is a Constitutional obligation in terms of section 154 (1) and Section 155 (6) and (7) of the Constitution. The provincial sphere can intervene in a municipality within its jurisdiction in terms of section 139 of the Constitution. To give effect to these obligations, the departments for local government were established with the specific mandate to oversee and support municipalities. The principle for the application of sections 100 and 139 has always been to invoke them as a last resort.

However, as increasing performance challenges built up within the local sphere over the last decade. With over 30 municipalities having experienced an intervention, it became apparent that these mechanisms were not well-supported by national government or sufficiently institutionalised, due to the absence of post-intervention measurements of improvement, and the weak application of intergovernmental checks and balances, i.e. the oversight and review process by the Minister, the NCOP and the Provincial Legislature.

As can be seen from the above, Local Government is faced with many challenges and the municipality of George is also not excluded from these challenges.

1.3.2 OVERVIEW OF GEORGE MUNICIPALITY

Introduction and overview of the George Municipality

George Municipality has always been regarded as an area which is richly bestowed with natural beauty and tranquility. To conserve this beauty with its natural habitat and to make provision for the unparalleled growth and development that the area is currently being experienced, creates many challenges and demands for the municipal council and its residents.

Geography

George is situated in the Western Cape Province and is classified as a Grade B Municipality. It is also the second biggest Municipality after the City of Cape Town in the Province of the Western Cape. It attracts not only big businesses to George, but also tourism visitors due to its natural beauty fantastic golf resorts but also as a result of its rich history and vibrant culture.

It has been said that about 2,000 years ago the San and San people moved south towards the present Western Cape Province. The area where George is situated is known today as Outeniqua Land. The word "Outeniqua" is derived from a Khoi word which means: "man laden with (or carrying bags of) honey". It is a place not only richly bestowed with natural beauty, but also well known for unparalleled growth and development.

The French traveller and writer, Francois le Valiant described the area as follows during his visit in the 17th century:

"Bloemrijke velden en de Schoonste weiden zetteden dit heerlijk landschap nog meerder luister bij. Ik was waarlijk opgetogen van Verrukking..."

The second dröstdy to be established, in 1811, after the British occupation of the Cape, George was named after King George III of England. In 1837 George gained municipal status and by 1907 was linked by rail to Cape Town. George, the City, is currently the administrative hub of the world-renowned Garden Route area. George is nestled below the magnificent Outeniqua Mountains. The wide expanse of forests, the blend of mountains, rivers and rich farmlands in close proximity to the sweeping coastline of the Indian Ocean and its glorious beaches make George a unique Southern Cape City. George enjoys a mild climate, with a small difference between the minimum and maximum temperatures. The average annual rainfall of 850 mm is spread throughout the year. An excellent system of highways and national roads link George to Cape Town, 420 km away, and Port Elizabeth - a mere 320 km to the east. The area is relatively crime free compared to other towns of similar size in the Country and has a well educated work force.

The municipal area is 1,068km² in extent and is situated approximately half way between Cape Town and Port Elizabeth. The municipal area includes the following:

- The City of George;
- The villages of Wilderness and Herold's Bay;
- Various coastal resorts such as Kleinkrantz, Victoria Bay and the wilderness National Park;
- Rural areas such as the area around Rondevlei, (east of Wilderness), Geelhoutboom, Herold, Hansmoeskraal and Waboonskraal.

Demographics

Based on the current statistics the population is estimated at 166,548 and 180,000 (2008) people and 35,525 households (according to the 2001 census statistics) residing in the municipal area. According to these stats, the population density is 126.67/km². The density of households is 33.23/km². The racial makeup of the municipality is Black African 27.28%, Coloured 50.38%, Indian/Asian 0.26%, and White 22.08%.

15.5% of all households are made up of individuals. The average household size is 3.81.

In the municipality, the population is spread out with 28.6% under the age of 15, 18.2% from 15 to 24, 32.7% from 25 to 44, 15.2% from 45 to 64, and 5.3% who are 65 years of age or older. The median age is 28 years. For every 100 females there are 95.9 males. For every 100 females age 18 and over, there are 93 males.

In the municipality 67.1% of residents speak predominating Afrikaans at home, 7.4% speak English, 0.0% speak IsiNdebele, 24.5% speak IsiXhosa, 0.2% speak IsiZulu, 0.0% speak Sepedi, 0.3% speak Sesotho, 0.0% speak Setswana, 0.0% speak SiSwati, 0.0% speak Tshivenda, and 0.0% speak Existing. 0.2% of the population speaks a non-official language at home.

It is perceived that 88.5% of the residents are Christian, 9.2% have no religion, 0.3% are Muslim, 0.0% are Jewish, 0.0% are Hindu, and 2.0% have other or undetermined beliefs.

According to certain studies undertaken amongst the community it has been found that 7.7% of residents aged 20 and over have received no schooling, 17.7% have had some primary school, 7.5% have completed only primary school, 32.0% have had some high school education, 24.4% have finished only high school, and 9.8% have an education higher than the high school level. Overall, 34.2% of residents have completed high school.

² Surveys undertaken within the area revealed that 56.2% of housing units have a telephone and/or cellphone in the dwelling, 38.7% have access to a phone nearby, and 5.1% have access that is not nearby or no access. 83.5% of families or households have a flush or chemical toilet. 86.9% have refuse removed by the municipality at least once a week and 3.0% have no rubbish disposal. 59.8% have running water inside their dwelling, 82.8% have running water on their property, and 94.4% have access to running water. 80.8% of households use electricity for cooking, 76.1% for heating, and 86.6% for lighting. 76.5% of households have a radio, 70.2% have a television, 14.9% own a computer, 66.1% have a refrigerator, and 39.2% have a cellphone.

It has also been established that 18.8% of the population aged 15-65 is unemployed. Of the unemployed persons, 53.5% are Black African, 43.0% are Coloured, 0.0% are Indian/Asian, and 3.4% are White. 36.2% of Black Africans are unemployed, 16.4% of Coloureds, 6.9% of Indians/Asians, and 2.8% of Whites.

The median annual income of working adults aged 15-65 is thus R 16,258 (\$2,439). Males have a median annual income of R 17,181 (\$2,578) versus R 14,753 (\$2,214) for females. The median annual income by race is R 10,436 (\$1,566) for Black Africans, R 12,978 (\$1,947) for Coloureds, R 38,722 (\$5,810) for Indians/Asians, and R 50,477 (\$7,573) for Whites. The annual income distribution in George Municipality is:

- No income 3.1%
- R 12 – R 4,800 (\$2 – \$721) 8.7%
- R 4,812 – R 9,600 (\$723 – \$1,443) 19.9%
- R 9,612 – R 19,200 (\$1,445 – \$2,886) 26.4%
- R 19,212 – R 38,400 (\$2,888 – \$5,772) 18.8%
- R 38,412 – R 76,800 (\$5,774 – \$11,543) 12.5%
- R 76,812 – R 153,600 (\$11,545 – \$23,087) 6.8%
- R 153,612 – R 307,200 (\$23,089 – \$46,174) 2.4%
- R 307,212 – R 614,400 (\$46,176 – \$92,348) 0.8%
- R 614,412 or more (\$92,350+) 0.6%

Staff

The municipality boasts with approximately 1200 staff members. Council recently adopted a new staff structure and adjusted the salary scales of these employees through the Task grading system. However, a major challenge facing the organization is skills and the transfer of skills to certain individuals within the organization.

2010 Fifa World Cup

Although George has not been earmarked to host World Cup games within the area, the City will play hosts to participating teams such as Japan and a hosts of other teams that showed an interest to practice and stay in George. With the expected world wide television coverage that is normally associated with such an event, the town of George will thus enjoy a great opportunity to showcase its natural beauty, improved infrastructure, culture and huge tourism potential coupled with financial injections to a global audience.

Critical Challenges

The provision of basic services to all residents within the broader George area remains one of the most critical challenges facing the Municipality. The provision of services to the community does not only depend on available resources, but also on the spatial development framework, as far as it resolves around the provision of housing to a growing population. Although approximately 95% of all households in the urban areas have access to basic services, there are still specific challenges which make the objective of 100% unattainable in the short term. These are the following:

- New environmental legislation which became effective before municipalities had the time to appoint the required skilled staff to bring projects in conformity with the requirements. Various projects are being delayed because the required environmental impact studies have not been approved as yet. An environmentalist was appointed in the meantime, but a backlog of approximately 1,000 households was created.
- The transfer of land from the provincial administration still takes years to finalise and a further approximately 1,000 households are affected.
- The Municipality's staff structure still shows a shortage of approximately 200 staff members which is delaying the planning and execution of projects. However, the recession also affected the municipality so much so as no new staff could be appointed.
- The provision of basic services in rural areas is a particularly complex issue. A survey to determine the real situation of farm workers, was completed in conjunction with the Eden District Municipality. The next step in the process, is the proactive planning to provide basic services. However, all these interventions had to be put on hold due to the global recession which also affected South Africa.

To make things even worst, South Africa, as it is with other continents, all experienced a major financial crises resulting in high oil and food prices, energy and political crises coupled with higher interest rates, the influx of refugees and xenophobic attacks. These challenges all had a spiral effect on our communities who lost their jobs and had no income to support their families.

Employment and job creation

Unemployment remains a serious problem not only in South Africa in general, but also in George. As the recession escalated, jobs were lost in the employment sector as more and more businesses had to close down, which affected the most marginalized, the poorest of the poor, resulting in an increase in the indigent grant category as more and more people could not pay their debt. This also lead to a slump in the property market with people either losing their homes due to default and or the sales in the domestic housing market going down.

Environment

George has always been known as the gateway to the garden route due to its natural environment and beauty with its sought after beaches. However, in recent years we have witnessed the effects and impact of the phenomena of global warming. George, however experienced its worst draught in 132 years resulting in the area being declared a disaster area together with other Towns such as Knysna, Mosselbay and Plettenberg Bay. The Municipality had to enforce drastic water cuts and creating an awareness amongst the community by declaring the area as a water scares area.

Sustainable Urban Infrastructure and Services

Since 1994, George has experience phenomenal growth. To comply to the demand of infrastructure provision, this meant that the municipality had to depend on government funding or apply to the private sector for loans to fund its capital projects. Unlike other municipalities as far as the backlog is concerned, the main challenge of the municipality is not only to address these short comings or backlogs, but to maintain and extend current infrastructure to such an extend that the demand of the backlog is properly addressed.

In view of the recession that the country experienced during late 2008/2009, the provision of infrastructure placed an enormous strain on the available internal funds making it unavoidable not to utilize external funding sources to meet the demand. The spill-over effect, made the municipality more conscious of the additional burden of capital charges on the consumer. In this regard the municipality is constantly involved in a balance exercise between tariff increases, growth income projections and other financing alternatives that will ease the strain on the consumer by making the municipal services more affordable and cost effective for them.

Public Transport.

The improvement and restructuring of the current road-based public transport services for George and its residents have always been on the priority list of the administration. Poor integration between different modes of public transportation as well as basic safety issues remain some of the serious concerns of the municipality. It is expected that with the introduction of the Integrated Rapid Transit system (IRT) initiative, the Municipality's public transport services will transform itself into a system that will meet the demand for access and mobility needs of all citizens, visitors, goods and services in an equitable and sustainable manner.

Integrated Human Settlement

Housing remains a problem not only in the municipal area of George, but in the whole of South Africa. New residents flock to the urban areas in pursuit of employment opportunities. Many of them lives in informal settlements within the broader george area. Housing however remains the greatest challenge facing the municipal council and with the limited available funds from the Province for formal housing, only a relative small number can be housed per year. This means that the housing waiting list will continue to grow.

Health, Social and Community Development

Housing play a very important role in the welfare of communities, especially the poorest of the poor. Because of the conditions under which these families stays, normally result in illnesses such as diarrhea, tuberculosis, pneumonia, HIV/AIDS, bronchitis and other diseases exacerbated by the poor living conditions.

Strategic Direction

George as a thriving city has commonly been referred to as the economic and administrative hub of the Eden District. It also has its own airport, linking the city to main centers in South Africa such as OR Tambo International Johannesburg, Cape Town– as well as Durban International Airports. George has also an excellent railway and road system linking the City to other important centers.

To support and enhance the status of George as the pace-setting destination in the region, the Municipal Council adopted five development priorities, viz a viz :

1. Service delivery
2. Local economic development
3. Municipal transformation and institutional development
4. Financial viability, and
5. Good governance

Role of Councillors

The role of councillors cannot be underestimated as they too have a role to play in developmental local government as they are the voices of the masses. They, not only act as a representative of the community that they serve, but they also act as the custodians or guardians of the municipality's finances. In this regard they must provide a leadership role in Council and give direction to the municipality. As previously stated, the effective functioning of a municipality begins with its political leadership. However, although this is not the case with the George Municipal Council, councillors have been accused of being arrogant and insensitive to the needs of the community. Lack of effective complaints management or no coherent systems in place to measure service delivery or the quality of client interface are some of the political reasons underlying protest action. Thus far, George municipality has not yet experienced any protest actions due to service delivery backlogs.

Notwithstanding the above, it has been pointed out that it is not easy to predict the likelihood of the occurrences of protests, given that protests do not necessarily take place in the poorest municipalities or wards with the worst service delivery backlogs in South Africa. Population growth and urbanization are key determinants from which a link with protests can be made. Housing administration and management and lack of employment opportunities are also some of the key concerns of residents, followed by the cost of services that can contribute to violent protest action.

The overall positive progress and success of the local government system in South Africa is however increasingly being overwhelmed by a range of factors and negative practices both internal and external to the organization. These factors range from poor governance, service delivery failures, their capacity and performance, but also to the unique challenges experience in the varying spatial locations of municipalities.

It therefore important that the municipalities plans to enhance service delivery must be not only be aligned to the basic needs of the community, but also with those of the national and provincial plans. Infrastructure development, encompassing the management of building integrated human settlements, and basic services such as water, electricity and sanitation remain the core focus of municipal IDPs. It is here that the councillors role in terms of the IDP is of paramount importance. Not only is the IDP a mechanism through which they have to make decisions, it also contains their constituency's needs and aspirations. Councillors have to participate to ensure that their community's needs and issues are well reflected and addressed.

Service Delivery

Although the Municipality had these political instability crises and setbacks it had to deal with, the administration remained and stayed focused and ensured that service delivery were rendered to the community.

During this review process a strong shift was made towards seamless working and planning arrangements with the other spheres of government and stakeholders in order to maximize social and economic development based on the principles of democratization, empowerment and redistribution.

Over the past few years the Municipality has gone through a dramatic phase of restructuring, transformation and organizational change. There has been a strong drive towards upliftment and the development of poor communities by means of focused programmes which was Led driven and in the improvement of informal settlements, upgrading of basic services and the provision of free water and electricity through the Municipal indigent grant.

After the election of the new Council (in March 2006), the Municipality opted to adopt an Executive Mayoral system including Section 79 and 80 Portfolio Committees and a 10 person Mayoral Committee. Provision was also made for Ward Participatory Mechanisms.(20 Ward committees) The Municipality's new Integrated Development Plan (IDP) was structured into strategic themes, each with identified objectives and interventions to action the themes and output targets (For more information – see 2007/2008 and 2008/2009 IDP documents on the Municipal website).

These themes were used as a framework to direct budget, human and other resources. The themes are: service delivery, local economic development, financial viability, municipal transformation and institutional development and good governance.

The strategic direction that the George Municipal City has undertaken has been set out in it's five year Integrated Development Plan which is based on the precept that each area has different needs and different socio-economic structures.

As such, trying to implement a generalized economic development programme as a one-size-fits all solution throughout the municipal area, will be hugely inefficient and will have limited impact.

The direction that the five year IDP embarked on is in line with the Municipality's vision and strategic direction. The services that the Municipality provides and the investment in its capital projects which includes infrastructure provision will make the Municipality more attractive to investors and ensure global competitiveness. Investors bring the possibility of job creation and assistance in driving development. It is thus vital for business and local stakeholders to join hands to make the local economy of George functional, investor-friendly and competitively productive. This means that the needs and requirements of all stakeholders must be understood and fulfilled.

It is perceived that successful private enterprise and productive public-private partnerships are the main creators of wealth in local communities. If they are to flourish, they must operate within an environment that is conducive to business which will lead to incentives for them to remain and grow. Hence the important role of municipal government in facilitating such conditions as the municipality alone cannot achieve the desired result. It is thus important that communication channels must be in place between the different parties so that there is a clear understanding of the roles, requirements, responsibilities and objectives of everybody involved.

In this regard it has been accepted that Business, NGO's, Community Structures and Local Government leaders are in the most appropriate position to identify the priorities in their areas. local economic development is therefore of critical importance although it has been erratic in practice due to the skills required to shape and direct economic growth in local areas. In this regard George Municipality, in terms of its Led-driven projects therefore aims to bring all these economic forces together in any region to identify its resources, determine its specific needs to stimulate growth, create employment and reduce poverty.

Service Delivery and Budget Implementation Plan (SDBIP)

The adoption of The Service Delivery and Budget Implementation Plan (SDBIP) by the George municipality is to give effect to the IDP and the budget of the Municipality. It is an expression of the objectives of the Municipality, in quantifiable outcomes that will be implemented by the administration for the financial year relevant to the period. The Service Delivery and Budget implementation Plan (SDBIP) is a commitment by the Municipality to meeting service delivery and budget spending targets during the financial year under review. It includes the service delivery targets and performance indicators for each quarter which are linked to the performance agreement of senior management. It therefore facilitates oversight over financial and non-financial performance of the municipality and allows the Municipal Manager to monitor the performance of the Senior Managers, whilst the Executive Mayor/Council monitor the performance of the Municipal Manager. Through the IDP and public participation the Community in turn can also monitor the performance of the individual councilors and Municipal Council in the delivery process .

The Municipality's IDP is guided by the Municipal Systems Act, the Finance Management Act and SA Constitution, which give specific powers and responsibilities to Local Government. In this instance, Local Government is responsible for providing roads, electricity distribution, water and sewerage systems, waste and waste removal, wastewater treatment, urban planning traffic safety, by-law enforcement, and site and services for housing.

The IDP, which will be discussed in detail elsewhere in this report, on the other hand is an agreed upon service delivery strategy between Local Government and the residents of George, and is a plan to guide the Municipality on the manner how the budget should be spent on where and on what.

It is a detailed outline of how the Municipality intends to implement the objectives set out in the Municipality's Integrated Development Plan (IDP).

Based on the public input, the Municipality developed the strategic focus areas mentioned above. Thereafter corporate objectives were developed from these areas which were expanded on in Directorate and Departmental Business Plans. This resulted in resources being allocated firstly through a budget prioritization model at a corporate level and pulled through to the Business plans, which are underpinned by programmes and projects. Objectives are measured through key performance indicators at every level, and continuously monitored throughout the year.

The purpose of the annual report is to provide background into the role of the SDBIP which is linked to the IDP and to guide the reader through the relationship between service delivery and the budget. It provides the reader with the five year corporate scorecard setting out the Corporate and Directorate objectives which will separately be discussed elsewhere in this report, with each indicator and targets against which the Municipality will be held accountable over the remaining years of the five year IDP cycle. The 2008/2009 year's targets have been discussed in detail via the quarterly targets and submitted to the Municipal Council for approval.

The capital budget for the next three years has been broken down into the strategic focus areas and objectives identified in the IDP, providing the first level of linkage between the IDP and the budget. This linkage is further elaborated on in each Directorate and Department Business plans. The projected monthly cash flow is broken down into revenue by source and expenditure and revenue by department.

The content of this document is high-level and strategic and is intended for consumption by the general public, government departments, business and councilors and other interest groups.

The SDBIP is a layered plan, with the top layer of the plan dealing with consolidated service delivery targets and linking such targets to top management performance agreements. (MFMA Circular No. 13). Only the tip of the information pyramid is published as the Published or Corporate SDBIP.

This document therefore correlates with the Published SDBIP as required by National Treasury.

1.1 Legislative Imperative

In terms of Section 53 (1) (c) (ii) of the MFMA, the SDBIP is defined as a detailed plan approved by the mayor of a municipality for implementing the municipality's delivery of municipal services through its annual budget, which must indicate the following –

- (a) projections for each month of –
 - (i) revenue to be collected, by source; and
 - (ii) operational and capital expenditure, by vote
- (b) service delivery targets and performance indicators for each quarter, and
- (c) other matters prescribed

According to Section 53 of the MFMA, the Executive Mayor is expected to approve the SDBIP within 28 days after the approval of the budget. In addition, the Executive Mayor must ensure that the revenue and expenditure projections for each month and the service delivery targets and performance indicators as set out in the SDBIP are made public within 14 days after its approval.

2. Linking the IDP to the budget

The Integrated Development Plan (IDP) is the principal strategic planning instrument of George Municipality. It informs all planning and development and all decisions with regard to planning, management and development. The process to prepare the IDP is a participatory process aimed at developing a three to five year strategic plan. The IDP should be read in conjunction with the following documents which form the operational plans of the municipality while the IDP provides the strategic focus:

- The ward plans for each of the 20 wards;
- Sector plans such as the Disaster Management Plan and Water Services Plan;
- The master plans for the various municipal services such as the Housing-, Sanitation-, Electricity supply – and Streets Master plan.

The IDP is reviewed on an annual basis. In the planning of this revision phase cognizance has been taken of various gaps in the previous planning process and feed back from the performance evaluation of the 2007/2008 year. It was decided to concentrate this revision process around the following issues:

- **The ward committee system** was introduced in the previous year as a method to improve public participation. The preparation of ward plans, as a basis for community based planning, was introduced and the preparation of ward plans consisting of the following was initiated:

- A profile of each of the 20 wards;
- A SWOT analysis;
- Issues prioritised by the ward committee as an input to the IDP and the budget for the next year;
- The budget broken up per ward as a basis for monitoring progress and performance of the municipality on the delivery of services.

- **The preparation of a performance management framework** and the identification of performance targets and performance indicators much earlier in the process, resulting in Municipal Key Performance areas and Objectives/Targets linked to the Service Delivery Budget Implementation Plan of the Municipality;

- **A review of performance indicators** to ensure that targets are appropriate to the department or section involved;

- **The level of satisfaction of public** with services rendered by the Municipality needs to be scientifically determined to enable a database to be set up and to measure progress in future;

- **The Retention and Recruitment of skilled staff** is an ever increasing challenge. A strategy to improve the situation needs to be adopted;

- The improvement of **alignment** between the different spheres of government;

- **A well defined development strategy and the Improvement of the IDP – Budget link** is the last aim of this revision process.

The George Municipality is eager to create an enabling environment that could stimulate economic growth and create employment opportunities to the poor. Communities must be provided with an effective, equitable service delivery implementation strategy with a well-governed and effective administration corps.

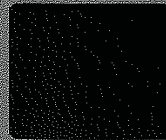
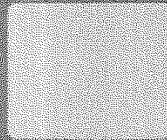
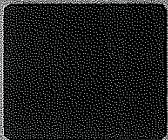
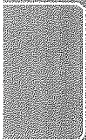
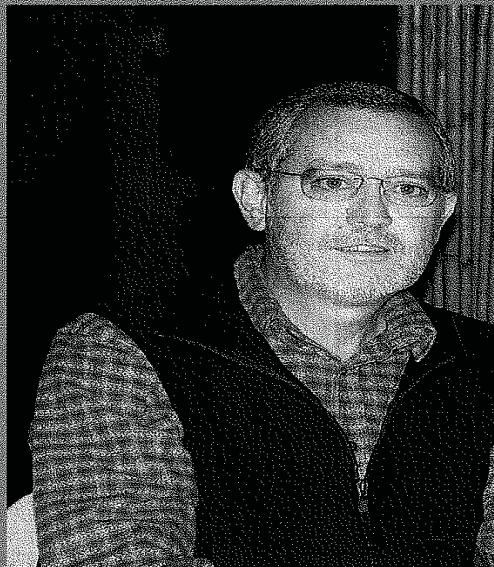
To support and enhance the status of George as the pace setting destination in the region, the Municipality adopted five development priorities. These are:

1. Service delivery
2. Local economic development
3. Municipal transformation and institutional development
4. Financial viability, and
5. Good governance

To enable the municipality to measure and report on actual performance against its targets, the Municipality uses the Service Delivery Implementation Plan (SDBIP) and the balance scorecard methodology are used to cascade the strategy downwards to lower levels of the organization. By using this methodology, influenced and shape the operational and capital budgets of the different departments within the municipality. As highlighted in the IDP strategy for George, the Municipal Council aligned itself with national and provincial objectives by incorporating the national and provincial performance indicators into the corporate score card, which is monitored on a regular basis.

The information on each item per Department will be discussed in detail here under in this Annual report.

1.4]] report of the chief financial officer for the year ended 30 june 2009



1. PREAMBLE

It is my pleasure to give a brief summary of the financial results of George Municipality for the financial year ending 30 June 2009.

2. METHOD OF PREPARATION OF FINANCIAL STATEMENTS

The Annual Financial Statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practices (GRAP) and fairly present the financial position, the results of operations and cash flows of the Municipality.

The Minister of Finance has, in terms of General Notice 552 of 2007, exempted compliance with certain of the abovementioned standards and aspects or parts of these standards for the 2007/8 financial year but not for the 2008/9 financial year for the High Capacity municipalities.

All GRAP Standards therefore had to be complied with by the Municipality for the 2008/9 financial year.

This resulted in an enormous task for the financial administration as many of the standards that had to be complied with resulted in changes that had to be effected as soon as with the preparation of the 2008/9 budgets.

NOTE: ALL APPENDIXES AND NOTES REFERRED TO ARE AS REFLECTED IN THE FINANCIAL STATEMENTS.

3. COMPARATIVE RESULTS

From the outset it must be mentioned that due to the staggered implementation of some of the exempted financial standards, as per Government Gazette 30013 dated 29 June 2007, comparative figures of the actual results and original budgeted amounts proved to be extremely difficult and in some cases even impracticable.

Furthermore the comparison between the actual 2009 results with the actual 2008 results as included in the final 2008 financial statements also did not provide sensible reading.

The reason for this situation is mainly due to the fact that with the implementation of any of the exempted standards, where not impracticable, the previous financial results also had to be amended retrospectively.

Amounts reflected in the 2009 financial statements regarding 2008 will therefore differ in some instances.

Budgeted amounts in some instances had to be adjusted in order to comply with the stipulations of the new financial standards.

4. REVIEW OF OPERATING RESULTS

The operating activities culminated in a deficit of R27,6 million for the financial period under review. After the necessary transfers to and from the surplus were made through appropriations in accordance with GRAP, the balance of the surplus as at 30 June 2009 was R8,7 million.

The overall operating results for the year ending 30 June 2009 as well as the comparison with the budgeted figures are reflected in the following table:

Description	Budget	Adjusted Budget	Actual	Variance Actual as % of
	2009	2009	2009	Adjusted Budget %
	R000	R000	R000	
INCOME				
Operating income	694 990	654 206	667 470	2,03
EXPENDITURE				
Operating expenditure	665 938	670 404	695 054	3,68
Closing surplus/Deficit	-29 052	16 198	27 584	

(Refer Appendix D)

Details of the operating results per segmental classification are included in Appendix D and operational results per category, together with a cryptic explanation of significant variances of more than 10 per cent from the adjusted budget, are included in Appendix E(1) in the annual financial statements.

Appropriations to various funds and reserves permitted in accordance with GRAP are accounted for in the Statement of Changes in Net Assets and not in the Statement of Financial Performance.

The main reason for the deficit can be attributed to the fact that Council approved an Adjustment Budget in March 2009 where operating expenditures were increased without a subsequent increase in revenue.

4.1. OPERATING EXPENDITURE 2007/2008

The following table reflects a breakdown of the expenditure per grouping for 2008/09 against the budget for that year for comparison purposes:

EXPENDITURE	Budget 2009 R000	Adjusted Budget 2009 R000	Actual 2009 R000	Variance Actual / Adjusted Budget %
Remuneration	195 695	182 352	188 354	3,29
General expenses	475 568	405 639	427 009	5,27
Repairs & maintenance	57 332	56 205	54 258	-3,46
Capital charges	38 343	31 714	29 028	-8,47
Contributions to capital	165	237	195	-17,72
Contributions to reserves	0	97 870	99 987	2,16
Less: Amounts charged out	-101 165	-103 615	-103 777	0,16
Expenditure	665 938	670 404	695 054	3,68
Appropriations	29 033	29 033	-36 330	
Net expenditure	694 971	699 437	658 724	-5,82

4.1.1 REMUNERATION

The net result was an over expenditure of R6 million caused by the implementation of the TASK results and the provision of additional Employee Benefits as per the IAS 19 Standard.

4.1.2 GENERAL EXPENDITURE

The main expenditure types which influenced the difference between budgeted and actual results are numerous as this section comprises of a vast variety of expenditure items. There are items where savings were achieved and items where over-expenditure occurred.

The approval of additional expenditure on the March 2009 Adjustment Budget is the main reason for the over expenditure in this category.

The 5,27% represents a variance of R21,4 million.

4.1.3 REPAIRS AND MAINTENANCE

This category resulted in a total under expenditure of 3,46% between the adjusted budget and actual results.

4.1.4 CAPITAL CHARGES

The net result of capital charges reflected a saving of R2,69 million and can be attributed to the delayed taking up of external loans as well as the utilization of internal funding from the internal CRR funds.

The transfer of surplus unallocated funds to the CRR resulted in only R107,3 million external loans being taken up in 2008/9.

Refer to Appendix A in the Annual Financial Statements for more details.

4.1.5 CONTRIBUTIONS TO CAPITAL OUTLAY

An under expenditure of R42 000 was achieved in this category.

annual report 2008 / 2009

4.1.6 LESS: AMOUNTS CHARGED OUT

The minimal increase in overall expenditure in service delivering departments resulted in the increase of amounts charged out for services rendered by these departments.

An additional R162 000 was charged out.

5. OPERATING INCOME

Income per income category is as follows:

INCOME	Adjusted Budget 2009 R000	Actual 2009 R000	Variance Actual / Adjusted Budget %
Assessment rates	103 716	101 896	-1,75
Electricity	216 949	228 126	5,15
Water	63 067	63 688	1,00
Sewerage	44 780	44 887	0,40
Cleansing	34 986	33 334	-4,72
Interest earned	27 625	34 784	25,91
Operating & Capital grants	82 739	85 553	3,40
Other income categories	68 609	49 902	-27,27
Total income	642 421	640 172	-0,35
Appropriations			
Net income	642 421	640 172	

(Refer Appendixes D and E1)

The following are reasons for some of the variances:

5.1 ASSESSMENT RATES

The decrease of 1,75% between the adjusted budget and actual results is a clear indication that all the anticipated rates were levied.

The reason for the decrease can mainly be attributed to the results of the valuation appeal board decreasing some valuations.

5.2 ELECTRICITY SERVICES

The increase of 5,15% between the adjusted budget and actual results can mainly be attributed to capital grants received.

Total revenue for this service also increased indicating a growth in the sale of electricity as well as the increased tariffs.

5.3 WATER SERVICES

The actual result compares with the adjusted budget assumptions.

5.4 SEWERAGE SERVICES

The variance can be attributed to increased usage.

5.5 INTEREST EARNED

Interest earned was too conservative. The rational is to where possible allocate interest income rather to strengthen the statutory funds and capital replacement reserves than to utilise interest earned to finance operational expenditure.

Although the variance between the budgeted and actual results increased with 25,9%, interest earned decreased with R8 million from 2007/8 to 2008/9 indicating a decrease in available funds to be invested.

5.6 OPERATING AND CAPITAL GRANTS

All operating grants for the budgeted projects were not forthcoming from the provincial government, especially housing funds where projects were transferred to following years.

The adjustment budget took this fact into consideration.

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6. MUNICIPAL EXTERNAL DEBT

At the end of the financial year the amounts borrowed and outstanding were as follows:

TYPE OF DEBT	BALANCE AT 30/06/2008 R000	RECEIVED R000	REDEEMED R000	BALANCE AT 30/06/2009 R000
Annuity loans	310 142	107 443	13 937	403 648
Lease liability	279		235	44
Other loans	8 078		702	7 376
Total loans	318 499	107 443	14 874	411 068

Loans to finance the 2008/2009 Capital expenditure in the amount of R107,443 million were raised during the financial year under review.

The municipality has added a net loan amount of R92.6 million (R82 million in 2007/8) to the outstanding loans which will have a direct affect on capital charges and redemption affordability in future financial years.

The full details of the individual loans are reflected in Appendix A in the financial statements.

7. ACCUMULATED STATUTORY FUNDS AND PROVISIONS

Details of the distributable reserves and provisions are stated in Notes 16, 17, 19 and 20 of the financial statements and are, inter alia, reflecting the following:

DESCRIPTION	BALANCE AT 30/06/2008 R000	BALANCE AT 30/06/2009 R000
Housing development fund	66 404	70 685
Provisions	0	3 746
Creditors (Trade payables)	44 191	64 894
Unspent grants & receipts	28 880	18 660
Total	139 475	157 985

In terms of legislation, surpluses in distributable reserves are to be invested until required.

The details of the investments are provided in Note 12 under the heading cash and cash equivalents.

8. NON CURRENT PROVISIONS

These provisions were made so that the municipality can fulfill its known legal obligations when they become due and payable.

Non-current provisions amounted to R68 046 696 as at 30 June 2009 and is made up as follows:

Provision for:

	2008 R000	2009 R000
Post-retirement Medical Aid Benefits Liability	56 532	61 550
Ex-Gratia Pension Benefits Liability	505	330
Long Service Leave Awards	5 394	6 167

The obligations are based on actuarial valuations.

9. CURRENT LIABILITIES

Current liabilities are those liabilities of the Municipality due and payable in the short term (less than 12 months). There is no known reason as to why the Municipality will not be able to meet its obligations.

Current Liabilities amounted to R142 414 448 at 30 June 2009 (R117 490 655 at 30 June 2008) and are made up as follows: (R 000)

• Consumer deposits	Note 18	10 785
• Provisions	Note 16	3 746
• Creditors	Note 10	64 893
• Unspent conditional grants and receipts	Note 19	18 660
• Employee Benefits	Note 14	11 850
• Current Portion of Deferred Revenue	Note 15	10 511
• Current portion of long-term liabilities	Note 13	20 362
• V A T	Note 11	1 607
TOTAL		142 414

10. CURRENT ASSETS

Current Assets amounted to R586 046 354 on 30 June 2009 (R664 892 157 on 30 June 2008) and are made up as follows: R000

• Inventory	Note 8	307 391
• Consumer debtors (Trade receivables)	Note 9	60 394
• Other debtors	Note 10	24 473
• Current portion of long-term receivables	Note 7	900
• VAT	Note 11	0
• Bank, Cash and Cash Equivalents	Note 12	192 888
TOTAL		586 046

11. DEBTORS / RECEIVABLES

Details regarding the debtors are provided in full in Note 7 (Long-term debtors) and Note 10 (Other debtors).

The ageing of debtors for the previous two years is reflected in note 19.

12. CAPITAL EXPENDITURE AND FINANCING

The Council adhered to guidelines that National Treasury sets for capital expenditure. The Capital Budget was IDP-driven and approved projects were done in terms of the IDP prescriptions.

The expenditure during the year in respect of fixed assets amounted to R284,3 million. It is 14,9% more than the previous financial year.

The following table shows the distribution of the additions to fixed assets according to the various directorates:

DIRECTORATE	BUDGET 2009 R000	ADJUSTED BUDGET 2009 R000	ACTUAL RESULT 2009 R000	VARIANCE ADJUSTED BUDGET / ACTUAL %
Municipal Manager	1 455	837	757	-9,61
Corporate Services	9 951	7 631	7 407	-2,93
Planning & Housing	4 493	5 942	5 735	-3,47
Environmental Affairs	12 955	11 199	10 507	-6,18
Community Safety Services	6 793	5 606	5 745	2,49
Civil & technical Services	244 433	213 144	212 599	-0,26
Electro technical Services	49 272	41 525	41 355	-0,41
Financial Services	900	251	195	-22,26
Grand total	330 202	286 135	284 301	-0,64

The above-mentioned fixed assets were financed from the following sources:

TYPE OF FINANCE	ORIGINAL BUDGET 2009	ADJUSTED BUDGET 2009	ACTUAL RESULT 2009
	R000	R000	R000
External financing fund	134 200	126 479	130 278
Capital replacement reserve	109 938	94 727	89 381
Grants	86 064	64 929	64 642
Grand total	330 202	286 135	284 301

			R000	%
◆ External long-term loans			130 278	45,82
◆ Conditional Grants	-	Provincial Government	34 390	12,10
◆ Conditional Grants	-	National Government	30 253	10,64
◆ Capital Replacement Reserve:				
▪ General			20 793	7,31
▪ Cleansing Infrastructure			2 017	0,71
▪ Electricity Infrastructure			14 807	5,21
▪ Sewerage Infrastructure			10 072	3,54
▪ Water Infrastructure			28 373	9,98
▪ Sale of property			10 860	3,82
▪ Roads and stormwater			2 458	0,86
TOTAL			284 301	100,00

Further information regarding capital expenditure is outlined in Appendix B, C and E(2) in the financial statements.

Further details regarding variances on individual projects will be reflected in the specific directorates' reports.

13. BANK, CASH AND CASH EQUIVALENTS

Bank, cash and cash equivalents at hand on 30 June 2009 amounted to R192,9 million compared to R276,1 million for 2007/08 – a decrease of R83,2 million or 30,1%. The main reason for this decrease is due to the utilization of internal funds for the creation of assets.

The detailed bank, cash and cash equivalents are outlined in note 12 of the financial statements.

14. LIQUIDITY SITUATION

The bank, cash and cash equivalents were allocated as outlined below to the various statutory funds, reserves, creditors deposits, operational cash, etc.

	<u>R MILLION</u>
CAPITAL REPLACEMENT RESERVE (CRR)	6,9
LONGTERM LIABILITIES	7,4
DEPOSITS	10,8
EFF ACCOUNTS	14,5
HOUSING FUND	58,7
UNSPENT GRANTS	18,7
CREDITORS	64,9
PROVISIONS	3,8
WORKING CAPITAL	7,2
TOTAL CASH AND CASH EQUIVALENTS	192,9

Council can therefore, based on this decline in surplus cash availability, not approve any additional transfers to the CRR as in previous years.

This is an alarming situation that will have to be provided for in the adjustment budget for 2009/10 as well as for forthcoming years.

The situation regarding the availability of cash backed funds towards internal funding will remain an aspect that will have to be managed with the utmost diligence.

15. AUDIT COMMITTEE

An audit committee is well established and an Audit Committee Charter is in place. The Committee serves as a link between the Council, Management, the public, Internal and External Auditors. Meetings were held and during these meetings the reports were evaluated to address internal control measures and evaluate the implementation of corrective measures.

16. ASSET MANAGEMENT

The report by the Auditor-General qualified the financial statements due to certain aspects that had to be addressed in the 2007/08 financial year.

The report of the Auditor-General once again qualified the financial statements due to certain aspects that were not addressed to his satisfaction in the 2008/09 financial year. The opinion of the Auditor-General is not supported in all instances mentioned in the audit report.

What however emerged without a doubt is the fact that the number of personnel that is currently deployed in the sections involved with the preparation of the financial statements proved to be insufficient. This aspect will have to be urgently addressed in the 2009/10 financial year.

This aspect was mentioned to the Auditor-General when he visited the Municipality during June 2009. The national target for clean audits in 2014 will not be achieved if this matter is not addressed immediately.

17. GOING CONCERN

The financial position of this municipality is currently, as detailed in the financial statements and audit report, still regarded as a going concern but not at such a level that it can be categorically stated that for the foreseeable future the municipality will still be regarded as a going concern.

There are factors that will require constant monitoring and evaluation to enable this position to be maintained in the medium to long-term.

18. FINANCIAL COMPARISON / ANALYSIS TOOL

Attached to this report are the comparative financial indicators for the past three financial years that express in more financial details the financial results for the Municipality.

It should be noted that, as mentioned in the start of this report, due to the phasing in of the financial standards, some of the indicators will only make more sense in future years.

For example in 2007 inventory did not include property held for sale but it was only included as from 2008.

19. EXPRESSION OF APPRECIATION

I am grateful to the Executive Mayor, fulltime Councillors, the Municipal Manager, Councillors and Senior Managers for the support they have rendered to this directorate during the 2008/09 financial year.

A special word of appreciation is extended to the team from the directorate financial services for the concerted efforts and sacrifices during the financial year enabling financial statements of high quality to be submitted.

L H FOURIE
CHIEF FINANCIAL OFFICER: GEORGE MUNICIPALITY